

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Newygo Conservation District	County Newaygo
Fiscal Year End 9/30/06	Opinion Date 12/15/06	Date Audit Report Submitted to State 2/27/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Hendon & Slate PC		Telephone Number (231) 924-6890		
Street Address 711 West Main Street		City Fremont	State MI	Zip 49412
Authorizing CPA Signature 		Printed Name Jodi DeKuiper, CPA		License Number 1101021180

**NEWAYGO CONSERVATION DISTRICT  
NEWAYGO COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

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## **NEWAYGO CONSERVATION DISTRICT**

### List of Principal Individuals

<u>Board Members</u>	<u>Position</u>
Fred Folkema	Chairman
Kory Borgman	Vice-Chairman
Joan Kokx	Treasurer
Steve Hatting	Secretary
Jason Dunning	Director
Jim Squires	Associate Director

# Companies



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



Board of Directors  
Newaygo Conservation District  
Fremont, MI 49412

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities of the Newaygo Conservation District, as of and for the year ended September 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Newaygo Conservation District's managements. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the managements, as well as evaluating the overall general purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Newaygo Conservation District, as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 4 and page 16 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United states of America. We have applied certain limited procedures which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newaygo Conservation District's basic financial statements. The combining schedule of revenues and expenditures by fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. It has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hendon & Slate*

Hendon & Slate, PC  
Certified Public Accountants  
December 15, 2006

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## NEWAYGO CONSERVATION DISTRICT

### Management's Discussion and Analysis September 30, 2006

#### **Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide financial statements.

#### **The District as a Whole**

The District's net assets decreased from the prior year by approximately \$48,407. Revenues decreased \$55,583 or 13.2%. Of this, federal grants (USDA/NRCS) decreased \$10,127, and state grants (GWS & Cost Share) decreased \$43,950 (in future years, when prior year information is available, a comparative analysis of government wide data will be presented).

	<u>2006</u>
Current Assets	\$ 244,658
Noncurrent Assets	274,400
Total Assets	<u>\$ 519,058</u>
Current Liabilities	\$ 27,160
Total Net Assets	<u>\$ 491,898</u>
	<u>Governmental</u>
	<u>Activities</u>
Program Revenues	<u>2006</u>
Operating Grants	\$ 24,264
Charges for Services	289,492
General Revenues	
Federal Grants	2,914
State Grants	29,450
Reimbursements	6,502
Sales Tax Collected/Discounts	293
Interest	387
Miscellaneous	13,174
Total Revenues	<u>366,476</u>

## Management's Discussion & Analysis (Continued)

Program Expenses	
Administration	109,842
Groundwater Stewardship Program	33,974
Observatory	18,236
Nursery	235,681
Depreciation	17,150
Total Expenses	<u>414,883</u>
Change in Net Assets	<u>\$ (48,407)</u>

### **Governmental Activities**

Fund balance increased \$11,185 over the prior year. This was the result of a decrease in revenues of approximately \$55,000 and a decrease in expenditures of approximately \$70,000. The largest decrease in expenditures was for the Observatory of approximately \$47,500 due to a new building being completed in the prior year.

### **The District's Funds**

The District maintains only one fund. There are no component units for the District.

### **General Fund Budgetary Highlights**

The District adopted a budget for the year ended September 30, 2006, in accordance with the guidance issued by the Michigan Department of Agriculture. This budget was amended during the year when there was sufficient information to change the estimates in the original budget. The District only incurred one overexpenditure in the budget which is reflected in the notes to the financial statement. Overall expenditures were under budget by \$51,789.

### **Capital Asset and Debt Administration**

The District adopted a capital asset policy with a threshold of \$2,500. During the current fiscal year the District capitalized vehicles totaling \$6,000. There were no debt transactions.

### **Economic Factors and Next Year's Budget**

The District adopted the 2006-07 budget with the expectation that the revenues and expenditures would be higher than the previous year. The State grant for the Groundwater Stewardship Program is expected to increase slightly as well as a grant to the Observatory. The largest increase in expenditures will be for the Nursery for \$17,250 due to the expected purchase of equipment. The budget approved for the 2006-2007 fiscal year was a balanced budget and was adopted on the activity level. The Board continues to evaluate and update existing programs offered to the public.

### **Contacting the District's Management**

This financial report is intended to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the District Administrator.

# NEWAYGO CONSERVATION DISTRICT

## Government Wide Statement of Net Assets September 30, 2006

	Governmental <u>Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 165,009
Prepaid Insurance	2,967
Accounts Receivable	3,915
Due from Other Units	4,290
Inventory	<u>68,477</u>
Total Current Assets	244,658
Fixed Assets	
Equipment	714,352
(Less) Accumulated Depreciation	<u>(439,952)</u>
Total Fixed Assets	<u>274,400</u>
Total Assets	<u><u>\$ 519,058</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Due to Other Governments	\$ 4,009
Payroll & Sales Tax Liabilities	10,346
Customer Deposits	8,924
Accrued Absences	<u>3,881</u>
Total Current Liabilities	27,160
<b>NET ASSETS</b>	
Unrestricted	<u>491,898</u>
Total Liabilities and Net Assets	<u><u>\$ 519,058</u></u>

Notes to the Financial Statements are an integral part of this Statement.



# NEWAYGO CONSERVATION DISTRICT

## Gouvernement Wide Statement of Activities For the Year Ended September 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expenses) Revenue and Changes In Net Assets
		Charges for	Operating Grants and	Contributions	
		<u>Services</u>			<u>Governmental Activities</u>
Administration	\$ 109,842	\$ 49,806	\$ 19,200		\$ (40,836)
Groundwater Stewardship Program	33,974	-	-		(33,974)
Observatory	18,236	1,605	5,064		(11,567)
Nursery	235,681	238,081	-		2,400
Depreciation	17,150	-	-		(17,150)
Total Primary Government	414,883	289,492	24,264		(101,127)
<u>General Revenues</u>					
					2,914
Federal Grants					29,450
State Grants					6,502
Reimbursements					293
Sales Tax Collected					387
Interest					13,174
Miscellaneous					52,720
Total General Revenues					
Change in Net Assets					(48,407)
Net Assets - October 1, 2005					540,305
Net Assets - September 30, 2006					\$ 491,898

The Notes to the Financial Statements are an integral part of this Statement.

# NEWAYGO CONSERVATION DISTRICT

## Governmental Fund Balance Sheet September 30, 2006

### ASSETS

Cash	\$ 165,009
Accounts Receivable	3,915
Due from Other Governments	<u>4,290</u>
Total Assets	<u><u>\$ 173,214</u></u>

### LIABILITIES

Due to Other Governments	\$ 4,009
Payroll & Sales Tax Liabilities	10,346
Customer Deposits	<u>8,924</u>
Total Liabilities	23,279

### FUND BALANCE

Unreserved	<u>149,935</u>
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Total Liabilities and Fund Balance	<u><u>\$ 173,214</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

## NEWAYGO CONSERVATION DISTRICT

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets September 30, 2006

Total Governmental Fund Balances	\$ 149,935
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Prepaid Insurance reflects amounts to be paid in a future period	2,967
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Inventory	68,477
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Governmental Capital Assets	714,352	
Governmental Accumulated Depreciation	<u>(439,952)</u>	274,400

Compensating absences (vacation pay) are recorded in the government-wide statements if they are 1) attributable to services already rendered, and 2) are not contingent on a specific event (such as illness). However, these amounts are not recorded in the governmental funds until paid.

Accrued Vacation/Sick Pay	<u>(3,881)</u>
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Total Net Assets - Governmental Activities	<u><u>\$ 491,898</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

## NEWAYGO CONSERVATION DISTRICT

### Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended September 30, 2006

#### REVENUES

Federal Grants	\$ 2,914
Local Grants & Donations	5,064
State Grants	48,650
Sales & Rentals	287,572
Kropscott Income	1,605
Interest Income	387
Sales Tax Collected	293
Reimbursements	6,502
Miscellaneous	<u>13,489</u>
Total Revenues	366,476

#### EXPENDITURES

Administration	109,041
Groundwater Stewardship Program	33,944
Observatory	18,733
Nursery	<u>193,573</u>
Total Expenditures	<u>355,291</u>
Excess Revenues Over (Under) Expenditures	<u>11,185</u>
Fund Balance October 1, 2005	129,750
Prior Period Adjustment	<u>9,000</u>
Fund Balance September 30, 2006	<u><u>\$ 149,935</u></u>

The Notes to the Financial Statements are an integral part of this statement.

## NEWAYGO CONSERVATION DISTRICT

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 11,185
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Amounts reported for governmental activities in the statement  
of activities are different because:

Prepaid expenses reflects amounts that will be paid in a  
future period:

Current Year Prepaid Insurance	\$ 2,967	
Prior Year Prepaid Insurance	<u>(3,140)</u>	(173)

Change in inventory	(47,541)
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The acquisition of capital assets are reported in the governmental  
fund as expenditures. However, for governmental activities those  
costs are shown in the statement of net assets and allocated over  
their estimated useful lives as annual depreciation expenses in the  
statement of activities:

Capital outlay reported in governmental fund statements	7,968	
Capital outlay reported as expenses in statement of activities	<u>1,968</u>	-
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) assets.	6,000	
Depreciation expense reported in the statement of activities	<u>(17,150)</u>	(11,150)

Vacation/Sick pay is not recorded as an expense in the governmental  
fund until paid. However, vacation/sick pay is recorded when earned.

Vacation/Sick expense recorded in the government-wide statements.	<u>(728)</u>
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Change in Net Assets - Governmental Activities	<u><u>\$ (48,407)</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

## NEWAYGO CONSERVATION DISTRICT

Notes to the Financial Statements  
September 30, 2006

### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Newaygo Conservation District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the Newaygo Conservation District:

In June, 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- a. A Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- b. Financial statements prepared using full accrual accounting for all of the District's activities.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

#### A. Reporting Entity

The Newaygo Conservation District is governed by an elected six member board.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are record only when payment is due.

Grants Receivable - The Newaygo Conservation District receives grant revenues based upon a reimbursement plan. Thus, expenditures are incurred then remitted to the State for reimbursement. At September 30, 2006, \$4,290 was yet to be received.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Tree Inventory - Tree inventory is estimated based on average cost per tree.

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	20 Years
Office Equipment	4 Years
Other Depreciable Items	5 Years

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Compensated Absences (Vacation and Sick Leave) - It is the District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation & sick pay is accrued when incurred in the government-wide financial statements.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are being adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary data reflected in the financial statements.

The District begins its budgeting process in July of each year. At the July board meeting the administrator/executive director should provide a report to the board containing information required by the MDA Accounting Manual. The budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain public comments.

Prior to September 30, the budget is legally adopted.

The budget shown in these financial statements are as last amended through September 30, 2006.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the required supplemental data section of the financial statements, the District's actual expenditures and budgeted expenditures have been shown on a functional basis. The approved budget of the District was adopted on a line item level. The District does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - based on the functional level as reported, the District incurred expenditures that exceeded line item budgeted amounts as follows:

	Budget	Actual	<u>Excess Over</u>
	<u>Amount</u>	<u>Expenditures</u>	<u>Budget</u>
Employee Health Ins.	20,766	21,274	508
Sick Pay	-	1,501	1,501
Vacation Pay	-	4,448	4,448
Maintenance Supplies	500	688	188
UPS Charge	1,630	1,761	131

In total the District's expenditures were under budget by \$66,212.

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The District is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.



The investment policy adopted by the District's Board of Directors in accordance with Public Act 196 of 1997 has authorized investments in bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; certificates of deposit of a bank which is a member of the Federal Deposit Insurance Corporation; or in a community foundation under PA 136 of 1921 as amended, but not the remainder of the State statutory authority as listed above.

The District's deposits are in accordance with statutory authority. All deposits are held at Valley Ridge Bank (now known as Choice One Bank) and carried at cost. The District holds the accounts in its own name. The funds of the District are insured under FDIC regulations as set forth in section 330.8(2). As of September 30, 2006 \$26,438 was uninsured.

At September 30, 2006, the cash & deposits of the District consisted of the following:

<u>Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Checking	\$ 122,235	\$ 126,438
Savings	1,693	1,693
Petty Cash	81	-
Certificates of Deposit	<u>41,000</u>	<u>38,000</u>
Total Cash & Deposits	<u><u>\$ 165,009</u></u>	<u><u>\$ 166,131</u></u>

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### NOTE D

#### ACCOUNTS RECEIVABLE

At September 30, 2006 accounts receivable consisted of the following:

	<u>Accounts Receivable</u>	<u>Due from Other Governments</u>	<u>Total</u>
Due from Customers	\$ 3,915	\$ -	\$ 3,915
Due from State	-	4,290	4,290
Total	<u><u>\$ 3,915</u></u>	<u><u>\$ 4,290</u></u>	<u><u>\$ 8,205</u></u>

Notes to the Financial Statements (Continued)

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 69,400	\$ -	\$ -	\$ 69,400
Capital Assets Being Depreciated				
Vehicles	-	6,000	-	6,000
Equipment	66,766	-	-	66,766
Buildings & Improvements	572,186	-	-	572,186
Subtotal	638,952	6,000	-	644,952
Less Accumulated Depreciation for:				
Vehicles	-	700	-	700
Equipment	66,766	-	-	66,766
Buildings & Improvements	356,036	16,450	-	372,486
Subtotal	422,802	17,150	-	439,952
Net Capital Assets Being Depreciated	216,150	(11,150)	-	205,000
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 285,550</u>	<u>\$ (11,150)</u>	<u>\$ -</u>	<u>\$ 274,400</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	<u>\$ 17,150</u>
Total Governmental Activities	<u>\$ 17,150</u>

NOTE F RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the District carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE G PRIOR PERIOD ADJUSTMENT

During the year ended 2006, an error was discovered in the reporting of grant revenue and accounts receivable for 2005. \$9,000 in grant receivables were not reported, which would have increased revenue for the period. Fund balance at September 30, 2005 increased as a result of the correction.

# NEWAYGO CONSERVATION DISTRICT

## Budgetary Comparison Schedule for the General Fund For the Year Ended September 30, 2006

	Budgeted Amounts			Variance With Final
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Budget</u>
Beginning of Year Fund Balance	\$ -	\$ -	\$ 129,750	\$ 129,750
Prior Period Adjustment	-	-	9,000	9,000
Corrected Beginning of Year Fund Balance	-	-	138,750	138,750
<b>Resources (Inflows)</b>				
Federal Grants	10,000	2,900	2,914	14
Local Grants & Donations	6,500	6,500	5,064	(1,436)
State Grants	64,200	76,620	48,650	(27,970)
Sales & Rentals	302,614	302,614	287,572	(15,042)
Kropscott Income	1,605	1,605	1,605	-
Interest Income	350	350	387	37
Sales Tax Collected/Discounts	1,300	2,100	293	(1,807)
Reimbursements	5,200	5,200	6,502	1,302
Miscellaneous	15,735	15,320	13,489	(1,831)
Amounts Available for Appropriation	407,504	413,209	505,226	92,017
<b>Charges to Appropriations (Outflows)</b>				
Administration	115,640	112,282	109,041	3,241
Groundwater Stewardship Program	45,000	57,390	33,944	23,446
Observatory	16,890	23,011	18,733	4,278
Nursery	229,550	228,820	193,573	35,247
Total Charges to Appropriations	407,080	421,503	355,291	66,212
Budgetary Fund Balance Sept. 30, 2006	\$ 424	\$ (8,294)	\$ 149,935	\$ 158,229

# NEWAYGO CONSERVATION DISTRICT

## Schedule of Revenues and Expenditures by Fund For the Year Ended September 30, 2006

	<u>Operating</u>	<u>Groundwater Stewardship</u>	<u>Kropscott Observatory</u>	<u>Nursery</u>	<u>Total</u>
<b><u>Revenues</u></b>					
Federal Grants	\$ 2,914	\$ -	\$ -	\$ -	\$ 2,914
Local Grants & Donations	-	-	5,064	-	5,064
State Grants	19,200	29,450	-	-	48,650
Sales	791	-	-	238,081	238,872
Rentals	49,015	-	1,605	-	50,620
Interest Income	362	-	25	-	387
Sales Tax Collected	293	-	-	-	293
Reimbursements	4,200	-	-	2,302	6,502
Miscellaneous	5,031	-	1,720	6,423	13,174
Total Revenues	81,806	29,450	8,414	246,806	366,476
<b><u>Expenditures</u></b>					
Salaries & Wages	46,356	20,445	-	92,592	159,393
Payroll Tax Expense	5,168	1,338	-	14,935	21,441
Fringe Benefits	15,817	1,196	-	15,332	32,345
Mileage Reimbursement	1,632	1,359	-	527	3,518
Meetings & Trainings	5,786	85	-	456	6,327
Supplies	5,930	537	344	49,492	56,303
Telephone	1,334	150	446	1,378	3,308
Utilities	7,447	-	847	3,879	12,173
Capital Outlay	-	-	-	7,967	7,967
Legal & Accounting	7,826	-	-	-	7,826
Fees	1,940	-	113	354	2,407
Contractual Services	6,318	4,200	13,865	320	24,703
Vehicle Expense	-	-	-	1,941	1,941
Repairs & Maintenance	1,242	-	848	2,488	4,578
Insurance	917	-	1,328	1,805	4,050
Miscellaneous	1,328	4,634	942	107	7,011
Total Expenditures	109,041	33,944	18,733	193,573	355,291
Excess Revenues over Expenditures	\$ (27,235)	\$ (4,494)	\$ (10,319)	\$ 53,233	\$ 11,185



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



February 6, 2007

Board of Directors  
Newaygo Conservation District  
940 Rex Street  
Fremont, MI 49412

Dear Board Members:

We have audited the financial statements of the Newaygo Conservation District as of and for the year ended September 30, 2006 and issued our report thereon dated December 15, 2006. As part of our audit, we studied and evaluated the District's accounting and administrative controls; compliance with Department of Treasury guidelines and the Michigan Conservation District Uniform Accounting Procedures Manual; checked for adherence to grant contract requirements; and verified the District had adopted policies for fixed assets and credit cards. Because this study was only part of the overall audit plan, it is not intended to be a complete review of all your accounting procedures; and, therefore, would not necessarily disclose all weaknesses in your system. Accordingly, we offer the following comments and recommendations.

## **INTERNAL CONTROL**

### **Books and Records**

In general, the District's books and records were in excellent condition. We believe that Gail has done a very good job of administration.

### **Credit Cards**

During the audit we found an expired Office Max credit card. We recommend that this card be destroyed.

### **Certificate of Deposit**

During the audit we found a check in the amount of \$6,291.01 which was the amount of a certificate of deposit that was closed after the September 30, 2006 year end, but before audit field work. We recommended that this check be reinvested as soon as possible into another certificate of deposit or into the District's bank account.

### **Budgeting**

According to the MDA Accounting Manual, budgets are required to comply with the Michigan Department of Treasury Uniform Budgeting Manual. Section 15 of

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this Manual states “the recommended budget for the general fund and special revenue funds must include for each fund

- actual revenues and expenditures for the most recent completed year
- estimated revenue and expenditures for the current fiscal year
- an estimate of revenues and expenditures in the next fiscal year
- beginning and ending fund balance for each year
- an estimate of the amounts needed for deficiency, contingent, or emergency purposes
- other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the District.
- the total estimated expenditures, including an accrued deficit, in the budget shall not exceed the total estimated revenues, including an available unappropriated surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act or the balance of the principal of these bonds or other obligations.”

The current budget document does not present all of the required information. In addition to the above, it is helpful to include two more columns that will be used throughout the year. These include a column for amendments and a column for the final amended budget. By following this format, the District will continue to comply with the MDA Accounting Manual and will help the Board in preparing and amending the budget. During the year, the budget was amended for the minor unforeseen differences in expenditures during the year as well as an adjustment to the federal revenue for funds no longer expected to be received.

Thank you for the courtesy extended to us during our audit. We look forward to a continued relationship with Newaygo Conservation District. If you have any questions regarding the audit report, this letter or any other communication, please do not hesitate to call.

Respectfully submitted,



Jodi DeKuiper, CPA  
Hendon & Slate, PC